

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

October 2018



Commodities

Mostly tricks, few treats for resources

KEY POINTS:

- **US\$ pressure starts to bend the CRB**
- **Deflationary sectors are now winning over inflationary: not good news for resources**
- **Energy sector tops in 90-day performance**
- **WTIC price peak likely at \$75 to \$77**
- **Natural-gas prices drop again**
- **Downward slide continues for gold and silver**
- **Copper breaks two-year rise: sharp decline**
- **The U.S. dollar stalls at \$0.95 ... don't expect it to last**

CRB long term: Weakness continues

Outlook negative: Our long term (10-year) outlook remains negative for commodities, with increasing

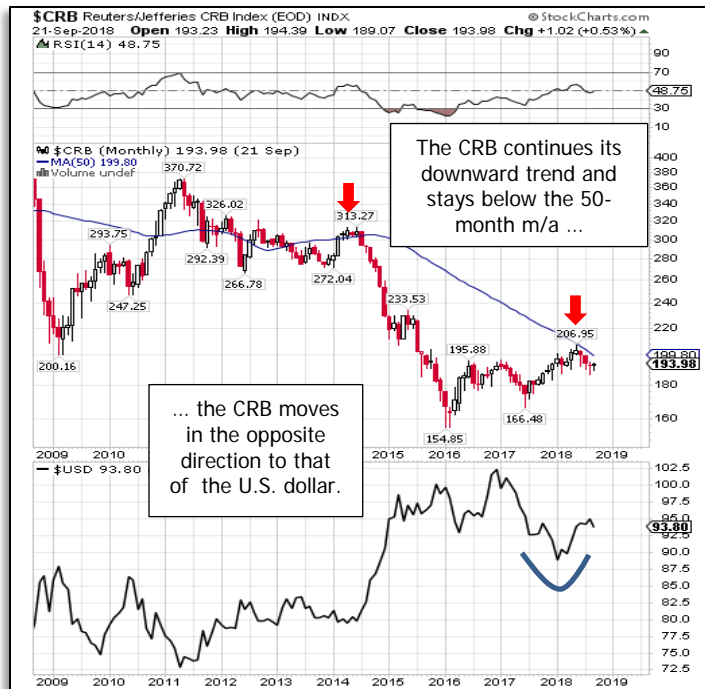


Chart 1

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception Mid-2003</i>
TS Model Portfolio	-0.08%	6.45%	510.02%
S&P 500	0.14%	8.09%	191.40%

15-year average for the TS Model Portfolio: 12.52%
 15-year average for the S&P 500: 7.23%

<https://www.technicalspeculator.com/services/ts-model-growth-portfolios>

New dividend income portfolio launched: 5.50% yield

headwinds from the rising U.S. Dollar Index (DXY). Favourable economics (additional rate hikes, low unemployment, increasing GDP) are keeping positive tailwinds blowing for the US\$. The Commodity Research Bureau (CRB) Index has failed again to advance above the downward sloping 50-month moving average (m/a) (**Chart 1**). Long-term support is at 185, and lower at 174.

Bottom line: US\$ (DXY) strength, plus a return to deflationary performance over inflationary (**Chart 2** on page 2) should keep the CRB depressed. The target is 174 to 180.

Deflation vs. inflation

Deflationary assets (consumer products, financials, technology, industrials, etc.) outperformed inflationary assets (commodities) from 2012 to early 2016. The two asset groups had equal performance from early 2016 into mid-2018. However, starting in the 3rd quarter (Q3) 2018, deflationary has regained the top position (**Chart 2** on page 2). We expect this trend to continue into 2019.

Commodity performance: Energy

The energy sector remains the only asset group that posted a positive return over the past 90 days. The building